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ADDRESS

ON

“TRANSPORTATION”

DELIVERED AT THE  
APPANOOSE CHAUTAUQUA  
CENTERVILLE, IOWA

ON

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BY

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PRESIDENT OF THE CLOVER LEAF AND CHICAGO & ALTON RAILROADS  
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OF NEW YORK

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If I had not wanted to see you all, I would not have made a trip of three thousand miles at this season of the year just to spend one day with you. Therefore, it is hardly necessary for me to say that it is a great pleasure to be here and to see around me the familiar faces which come up before all of us when our minds go back to the old home town, no matter how far we may wander away from it, nor how prolonged our absence. Unfortunately, I was not born in Centerville, but I was fortunate in having parents who were always amenable to reason, and I prevailed upon them to move to Centerville when I was only five years old. We arrived here—my father, mother and three sisters and I—on May 2d, 1861, by stage from Ottumwa. I was then too young to be deeply interested in the study of transportation, but I am advised on reliable authority that the rate of fare was much more than three cents per mile and the accommodations not so good as those which are to be had to-day. The next stream of traffic which I remember was a long train of covered wagons passing our door, and bearing signs which read "Pike's Peak or bust."

From those days and those methods of transportation to the present, with Pullmans and comfortable chair cars on fast limited passenger trains and express service for freight, both giving a service which is equaled nowhere else in the world, is a far cry. In the intervening years, and because of these improved methods of transportation, the value of Iowa farms has increased from approximately \$250,000,000 to considerably more than \$1,500,000,000, while the value of the implements and machinery and live stock on these farms has more than trebled. Every other State in the Union, in proportion to its natural resources, the progressiveness of its citizens and the opportunities which railroad extensions have carried to its doors, can tell the same story.

The subject which has been assigned to me is "Transportation," and, because of their relevancy to it, I am glad to note the presence of Peter Maher, Superintendent of Motive Power of the Clover Leaf and Alton Railroads; Frank Evans, General Attorney of the Rock Island lines, and C. J. Phillips, one of the Superintendents of the Delaware, Lackawanna & Western Railroad, the three representing the Mechanical, Legal and Transportation Departments. Who would have thought twenty-five or thirty years ago that they would have been selected from all of the boys in Centerville to take an active hand in the development of their country's resources and to aid in making it great? By that question I do not mean to suggest that they were any less bright or gave less promise of successful careers than their fellows, but I am free to say that in their younger days, and I knew them well, they showed no pronounced liking for hard work, and, therefore, gave no hint of what their futures would be, for it requires hard work to be a successful railroad man.

The transportation facilities of a country are, and always have been, the true test of the nation's commercial development. Rome was the greatest road-builder in the world in her day, and the supreme commercial power. Her highways, which are still the wonder of modern engineers, represented the most advanced stage of the art of transportation as it was then known, and made possible the development of her territory. So strongly was this essential feature recognized by her governing powers that with every territory subdued her first act was to commence the construction of roads to develop its transportation.

The territory of the United States is so great that if it had not been for the discovery of steam as a motive power and the development of steam transportation lines, it would have been impossible in hundreds of years to develop the territory

as it is developed to-day. Had it not been for railroads the population would even now be confined to our coasts and the borders of our navigable streams, and the prairie schooner would yet be sailing through the streets of Centerville, as it did when I was a boy. Therefore, everything that affects the transportation interests of the country to a greater or less extent affects every industry and every citizen of the country.

The true test of a nation's commercial greatness is measured by the character and extent of its transportation facilities. In studying the transportation history of the country we can divide it into three broad periods. First was the pioneer construction; that is, the lines that were thrown out in various sections of the country in advance of the population by those great, hardy, courageous men who had foresight and faith, and risked their all on the correctness of their judgment—such men as the Huntingtons, the Crockers and the Hills, and, in a lesser way, men like Gen. Francis M. Drake, of Centerville: a man who in the memory of many of my auditors risked his money, his health, and, because of the phenomenal prejudice of those days, risked his reputation as well, in bringing to this community its first transportation line. I want to say that in my opinion the pioneers who took those chances were entitled to every reward that came to them, whether it came from the gratitude of their Government, or whether it came in dollars to enrich their pockets—and more. For every dollar that they made for themselves they made a thousand dollars for other people. From 1850 to 1900, the last year for which figures are available, the number of acres in improved farm lands in the United States increased from 113,000,000 to nearly 415,000,000, and the value of all farm property increased from less than \$4,000,000,000 to more than \$20,000,000,000. But for the railroads there could have been nothing approaching this marvelous increase in the



agricultural wealth of the country, and these figures, of course, take no account of the great fortunes that were built up in supplying the demands of the people who populated the lands which the railroads made available, or in manufacturing the products which the tilling of the soil demanded and which it returned. It is reasonably certain now, in normal times and with an absence of hostile legislation, that the building of a railroad into a new and fertile country will ultimately be profitable. But this result was far from certain when the first lines were built, and so I say that the greatest fortunes in history would not have been too large a return for the men who built them and added billions to the wealth of their country. They were the conquerors of nature's forces and of nature's fastnesses; their victories were those of peace. Contrast what they achieved and what they left in their wake with the conquests of other days in other lands. On the one hand are the devastated battlefields that followed the conquerors of the old world; on the other are vast fields of waving grain which every year furnish sustenance not only to our own eighty millions of people, but leave enough over to meet the excess requirements of Europe.

The great conquerors of ancient times built up a personal following which was a marvel in itself. Their soldiers would follow them to death on any battlefield. But the conquerors of our vast territory built up a following that so covered this great country with productive farms that it was not long until the traffic requirements had outgrown the fondest anticipations of these great captains of industry, and the second period of railroad development was launched.

This period presented tremendous tasks and was one of tremendous activity. It involved problems of greater complexity than those of the pioneer days. The demands for transportation multiplied so rapidly that construction was

unable to keep pace with it. Great cities grew up, and with them an imperative demand for terminal facilities which would be sufficient, not only for present needs, but would look well into the future. In the face of ruinous competition, which had forced rates down to from one-half to one-third of what they were in any other country in the world, roadways and bridges had to be rebuilt, improved safety devices invented and installed, curves had to be eliminated and grades reduced so that the tonnage per train could be increased, and new and heavier equipment provided on a scale that had never been anticipated; and before this reconstruction work was completed, the ever-increasing demands had outgrown the enlargements. It was then realized that a railroad never is completed and never can be completed; it cannot stand still, but must continue to expand and improve and keep pace with the growth of the country it serves. To forecast this growth and to provide the facilities that were required to meet, it presented entirely new and most varied problems. Their solution demanded minds that were keenly analytical and broadly constructive. These minds were furnished by men who had in the beginning an inherent genius for railroading, and who had had years of experience in the service, commencing at the bottom of the ladder and gradually ascending hand over hand. Not only were they familiar with every feature of practical railroad operation, but they had a comprehensive understanding of trade and agricultural conditions and the trend of development in new territories, and their minds were trained to act quickly and accurately. Railroading ceased to be a business and became a science. The men who met and solved the problems of the second period of railroad construction were more than managers—they were scientists.

As these men grew up to the situation certain evils un-

fortunately developed. Capitalists, who are generally selfish, and who did not then realize as they do now the quasi-public character of their corporations, sought greater profits than were properly their share, and the result was over-capitalization and discriminations in rates. Ill-advised competition also grew up, and the manipulation and development of railroad properties often followed the line of greatest immediate profit to those in control of them, rather than in line of the natural development and the ultimate good of the traveling public and the financial investors in the enterprise. Financial difficulties resulted from time to time, with bankruptcies and receiverships, but the magnificent development of the country and its almost unlimited natural resources tended to obscure the evils for a time. Legislation was enacted which put an end to rate discrimination, and so far as over-capitalization is concerned, the properties, in many cases, grew up to the inflated capital, while in other cases the fictitious values were wiped out through receiverships. During the last ten years of prosperity the railroads of the country, generally speaking, have put more money out of earnings into their properties than the amount of fictitious capital in existence prior to that period. Statistics show that no important railroad could be duplicated for the par value of its present outstanding securities.

Whether or not capital would have come to a realization of its obligations to the public cannot be determined, because before it had learned its lesson the people demanded governmental regulation, and the idea of controlling railroads through Federal, State and municipal commissions took root; and this brings us to the third period—that of governmental control and interference.

If the legislatures of the country, after passing laws to stamp out rebates, and protect the public from fictitious issues



of securities, and passing laws making the affairs of every railroad public property, through standardizing accounts, which would be always open to the inspection of Government experts, and requiring absolute publicity, had stopped there, no evil would have been done; but the pendulum of public opinion, when once set in motion, did not stop, but continued to swing until many ill-advised and hurtful laws were passed in various parts of the country. Any law that takes away from the owners of property the right to manage the property on business lines, so long as no vital interest of the public is injured, chills the flow of blood through the veins of the nation, when the normal flow is represented by prosperity. When you convince the owner of railroad securities that his representatives cannot operate his property along business lines without interference from inexperienced men, having no financial interest, you cause such fear on the part of the investor as to make him hesitate about longer putting his money into that class of securities.

The railroads are entitled to a fair price for what they have to sell, which is transportation, just as any other corporation or merchant. In the face of increased cost of operation and maintenance, and with widespread demands for extensions and betterments, their rates have been gradually going down. The average receipts per ton per mile on American railroads dropped from \$.0199 in 1879 to \$.0073 in 1906. On the Western lines, most of which pass through Iowa, the decrease was from \$.0261 in 1870 to \$.0085 in 1906. During that period there was a very large increase in the cost of every element which enters into railroad construction and operation. In the last ten years the price of farm products has increased twenty-five per cent., and the price of food has increased nearly nine per cent., while the average freight rate has decreased over eighteen per cent.

The only answer to this problem is, that the railroads must get more for what they have to sell, the same as with any other business, under proper regulations. This is no time for evasion or for mincing words. There have been too many moral wrongs that were legal rights, but the old doctrine of "an eye for an eye" and "a tooth for a tooth" is poor business policy. It does not help a situation for one party to sin because another party has sinned, or is thought to have sinned. What we want now is honesty and fair dealing on both sides of all questions, and I tell you frankly that there can be no continued prosperity in any part of the country if the transportation interests are unfairly dealt with.

Political pigmies, when in power, can easily legislate money out of corporations, but the political giants of all the ages cannot legislate money into corporations, unless the inducements inherent in each proposition naturally attract it thither. Without capital the railroads cannot make the extensions and improvements which are demanded, and which must be made if the return of prosperity is not to be long delayed. "In time of peace prepare for war" was good advice, and it is in this period of business depression that the railroads should be preparing for the return of industrial activity. But not a mile of new track is being laid, nor is any equipment being purchased, that is not absolutely essential to the present needs of the roads. Improvements involving hundreds of millions have been abandoned because of the vengeful spirit that has temporarily possessed the minds of men whose duty it is to carefully consider proposed legislation.

The man of property, whether his capital be invested in railroad stocks or in stocks of merchandise, or in any other thing of value, has the interest of the country certainly as much at heart as the self-seeking politician or the discredited corporation manager, between whom this dangerous situation

has been created, and he has as much right to be heard, even though it has recently been out of fashion to accord him a respectful hearing.

Unfair and dishonest management on the one hand, and unreasonable legislation on the other, are both to be avoided if our national progress is not to be seriously interfered with. Railroads must recognize the rights of the public to a far greater extent than they have heretofore, and I believe that fact now is generally appreciated. The railroad manager who fails to recognize it will not long survive. To say that the Government has no rights in the matter is nonsense. It is equally nonsensical to say that the development of transportation property is not entitled to fair returns, especially when these returns at the largest are infinitesimal as compared with the increased value of the surrounding property, whether it be measured in lots or acres or square miles, or when compared with the return in any other industry. It should be remembered, too, that there are 500,000 or more holders of railroad stocks and bonds in this country. Few of them are millionaires; most of them are people of limited means who have invested their hard-earned saving in securities that, under reasonable conditions, are sure of a profitable return. Any law that works hardship on the big stockholder puts a greater burden on the small investor.

Our country is far too large, and its interests too diversified, to permit of any general law regarding railroad operation, except along the broad lines which I have indicated. Different sections of the country demand different services, and different services demand different rates of compensation. Transportation companies should be, and generally speaking are, willing to supply such facilities as are demanded by the traffic requirements of the communities they serve at a fair price which, without any extravagance of management or

other unnecessary expense, would allow a fair profit to the people who own the road. On the other hand, the people who use the railroads, just as when they patronize a dry goods store or grocery, should be willing to pay a fair price for the quality of service they receive, always remembering that Pullman service can be had only at Pullman rates.

The greatest menace to-day to a continuance of our country's growth and the influence that is doing more than anything else to retard the return of prosperity is the fear on the part of the people who own the railroads that the operation of their properties will be taken out of the hands of the trained men who are now directing them and turned over to Boards or Commissions, whether National, State or municipal, who will exercise full authority without the slightest financial responsibility. Though I disagree entirely with his theories, I have respect for the honest socialist, just as I respect an honest minister without regard to his creed. The honest socialist believes in Government ownership and operation of the railroads and has the courage of his convictions. He wants to buy all of the roads at a fair price and have them operated by officers elected by the people who will be accountable to the people as stockholders. But what shall we say of people who, while frowning on socialism or professing to stand in horror of it, demand that the railroads shall be placed under control of commissions who will take away from the officers of those properties, elected by the stockholders, the right to operate them? If this proceeding, under the guise of law, is not taking away property without compensation, in violation of our constitutional rights, what is it?

Government supervision is all right, and a thing to be desired by all parties in interest. Government regulation within limits which transgress the rights of neither party, but make for the common good, is proper. But Government operation

without ownership is an entirely different matter. It is not enough to say that the granting to these appointive bodies of such phenomenal powers as are explicitly given to or assumed by some of the commissions of to-day is in itself a guarantee of safety, on the theory that great responsibility always steadies a man, because, on the one hand, no matter how honest or sincere they may be, they are not fitted either by experience or training to pass on the many complex questions that are continually coming before every railroad manager, and, on the other hand, they are at any time likely to be composed of men whose sole ambition is political preferment, and who, instead of exerting every effort to improve a situation in the interests of the people as a whole, are ready to destroy a corporation to appease popular clamor, if they think it will prove to their own advantage, without any regard to the rights of the owners of the property.

If Government ownership and operation of the railroads is a thing to be avoided, as most people believe, then Government operation without ownership is a grievous wrong, because it takes away, without due process of law, that reasonable control of property which is guaranteed by the fundamental law of the land. And so I say that the greatest menace to our prosperity is the dread in the mind of the investor in these securities that he will not be allowed to operate his property, having in mind, on the one hand, the welfare of the public, and, on the other hand, his ability to perform the required service.

I am tired of the assumption that all of the virtues and most of the wisdom of the country are embodied in our politicians and political appointees. The railroad profession has its full share of these qualities, with the additional advantage of knowing how to manage its own business, and it is time, I think, for the public to recognize the fact that railway man-



agers have the interests of the whole people at heart as much as any other class of citizens. It may be that the political appointees under the various legislative enactments creating bureaus and commissions appreciate that there can be no general prosperity unless the railroads are prosperous. I *hope* this fact is recognized, but I *know* that the men who are administering transportation affairs realize to the full that unless the communities which they serve are prosperous the interests which they represent will languish. Self interest, therefore, if nothing else, prompts them in seeking to do justice as between the public interests, which they serve, and the private interests, which they represent. They are entitled to be trusted, and they have got to be trusted, for if the situation is saved its salvation will be due to the transportation officials of the country and those who have faith in them.

The industrial life of our country is limited to the character and extent of our transportation facilities. In order to keep our industrial growth steadily moving forward we must keep our transportation facilities moving at least abreast of it. To do this, money is required, and in order to get money there must be a satisfactory return to the investor.

This brings us to the vital point that railroads must be operated at a profit; not only such as will enable them to pay good wages to their employees, but sufficient to guarantee a fair return to the people who are looking for a safe and remunerative investment, and whose money makes possible a continuation of improvements and extensions which are always demanded. This can be accomplished without requiring rates that will be a burden to any shipper or party in interest or to any community, if the matter is left in the hands of experienced men who can properly distribute the charges as between the commodities carried and the communities interested.

That man is no friend of labor who, on any pretext, seeks to widen the breach between the public and the railroads. The effort should be to close it as quickly as possible and to establish good feeling all around, with each recognizing and respecting the rights of the other and having full confidence that they will not be ignored. It is a pleasure to see that the railroad employees of the country, than whom there is no more sensible nor more independent body of men, are organizing to oppose any further vindictive and harmful legislation against the railroads. Without any suggestion from their superiors they are taking this course because they realize that any long-continued injury to the railroads must hurt them as well. They are affected directly by the conditions of the railroads, whether it be prosperous or otherwise, but every man in the country, whether he be working man or capitalist, is affected by the same cause, directly or indirectly.

The people should be educated to hold their directors—the men whom they elect to enact their laws and conduct their affairs—to the same responsibility that stockholders in a private corporation demand of the directors whom they elect. It is not sufficient that public officials be simply honest. They must display wisdom and foresight the same as is required in private life. Honestly conceived laws to compel a service that will meet with the reasonable approval of the patrons of a road and prevent discriminations, stock-watering and stock jobbery, are right and proper, but to go far beyond that and impose unreasonable burdens and unfair restrictions looks to the defeat of the very purpose which it is sought to attain.

We have before us an illustration of what even a temporary cessation of the transportation development of the country means. A year ago there were 1,675,000 railroad employees

in active service and they received nearly \$1,100,000,000 in wages during the year, according to statistics collected by the Government. Fully one-quarter of these men are now idle at a loss in wages approximating \$1,000,000 for every working day. A year ago the railroads were spending \$1,250,000,000 for supplies; now they are spending not more than \$500,000,000. This means a falling off in railroad expenditures of nearly \$2,500,000 a day, and it is impossible to accurately state the number of men in forest, mines, and factories who have been thrown out of employment by the shrinkage of the demand for equipment and supplies, but they are numbered by the tens of thousands.

We still have hope that we are going to be let alone and allowed to run our own business on business lines. Destroy that hope and we will have in this country an era of misery that will send to eternal political damnation those who are responsible for it. The smokeless chimney, the silent forge and the idle hammer will spell the story.

It has recently been very unfashionable to talk about the rights of capital, but it will be a great deal more out of fashion to talk about anything else if money is permanently driven from railroad investment and the situation which I have just suggested is intensified and perpetuated.

Transportation has well been called the hand maiden of prosperity. Possibly she has been given too much latitude in the past. However that may be, it is certainly proper to see that her feet are now kept in the right path; but do not load the maiden with fetters if you expect her to serve her mistress with zeal and with success.











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